

# **Agreed-Upon Procedures Engagement – Scope of Work**

## **Centers of Excellence**

### **Centers of Excellence Enhancement Grants**

### **Centers of Research Excellence**

### **Base Realignment Grants**

### **Limited Deployment-Cooperative Airspace Project**

**Introduction:** The Centers of (Research) Excellence (COE/CORE) programs are built on the concept of partnering the capacities found in our public colleges and universities with private-sector companies. The COE/COREs are hubs of research and development in the fields of energy, agriculture, life sciences, electronics, aerospace, and manufacturing. Objectives of the COE/CORE program include commercializing new products and services, and generating new jobs and business opportunities.

Centers of Excellence Enhancement Grants have been made available to the state's research universities for use in infrastructure projects or enhancement of economic development and employment opportunities.

Base Realignment Grants are available to a research university or a nonprofit university-related foundation to enhance economic development and employment opportunities associated with the Grand Forks Air Force Base and economic development projects or programs to accommodate growth in proximity to or at the Grand Forks Air Force Base.

Limited Deployment-Cooperative Airspace Project (LD-CAP) have been made available to the state's research universities for use in research, development and demonstration projects involving Automatic Dependent Surveillance-Broadcast (ADS-B) and ADS-B based "sense and avoid" technologies.

The Centers of Excellence Commission, with assistance from the North Dakota Department of Commerce, provides oversight of the COE, Enhancement Grant and Base Realignment Grant programs. The six member Commission is comprised of representatives from the North Dakota Economic Development Foundation and the State Board of Higher Education.

**Background:** North Dakota Century Code (NDCC) 15-69-05 and NDCC 54-65-03 stipulate that centers and recipients of Enhancement Grants and Base Realignment Grants shall agree to provide the Commission with the information necessary to monitor their postaward activities. Provisions in NDCC 15-69-05 and NDCC 54-65-03 call for centers and grant recipients to contract with an independent accountant for an agreed-upon procedures engagement annually until the Commission completes its postaward monitoring of a center or grant recipient.

Agreed-upon procedures engagements have been utilized by the programs since the 2007-09 biennium. The initial procedures were identified by the North Dakota University System in collaboration with other stakeholders. During the 2011 legislative session, specific criteria for the agreed-upon procedures engagement were added to NDCC 15-69-05 and included in NDCC 54-65-03. The Department of Commerce compared the initial procedures to the specific criteria now identified in statute. Consideration was given to other procedures that may be necessary for the Commission to effectively monitor postaward activities of centers and grant recipients.

**Objectives:** The primary objective of the agreed-upon procedures engagement is to verify information and progress reported by centers and grant recipients in their respective annual functional reviews. Other objectives include verifying that: 1) state funds are spent appropriately; 2) program requirements are met; and 3) verifying aspects of a grant such as actual scope and timeline, actual expenditures of grant funds compared to the application budget, and labor charged to a grant.

In completing an agreed-upon procedures engagement on an annual basis, centers and grant recipients are complying with NDCC 15-69-05 and NDCC 54-65-03.

Each university, college, foundation, etc. must hire its own private CPA firm to complete the agreed-upon procedures and report for each Center of Excellence, Enhancement Grant and Base Realignment Grant. Internal auditors cannot be used for agreed-upon procedures engagements.

**Scope of Work:** This agreed-upon procedures engagement shall be conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the fieldwork and reporting standards applicable to attestation engagements as contained in Government Auditing Standards of the Comptroller General of the United States of America.

Findings, other than those of no instances noted, should be reported in the manner identified in the Yellow Book where applicable – criteria, condition, cause, effect, recommendation, management’s views, and planned corrective action.

The following **tasks** are to be completed under the agreed-upon procedures engagement:

1. Verify disbursed award funds were received by the center or grant recipient;
  - a. Prior to July 1, 2009 award funds were distributed by the Office of Management and Budget;
  - b. Since July 1, 2009 award funds have been distributed by the ND Department of Commerce;
2. Determine that interest earned on award proceeds was retained by the center or grant recipient;
3. Review the Matching Cash Contributions, Matching Contributions in Lieu of Cash (Cash Reserved), and Matching In-Kind Contributions reported in the Functional Review and trace them to supporting documentation and/or accounting records;
4. Verify compliance with the Centers of Excellence program matching funds requirements:
  - a. Centers are accountable to the requirements specified in [NDCC 15-69](#) during the biennium in which they were approved;
  - b. COE Enhancement Grants, Base Realignment Grants and LD-CAP grants do not have matching funds requirements.
5. Review the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash (Cash Reserved), and Leveraged In-Kind Contributions reported in the Functional Review and trace them to supporting documentation and/or accounting records;
6. Review the private-sector and private-sector equivalent job creation reported in the Functional Review and trace each position to supporting documentation. Verify that each job meets the qualifying criteria identified in the Functional Review:

- a. Private-sector equivalent jobs are defined as positions at the center and university or college that are not paid by state general funds;
7. Review a sample of expenditures to verify compliance the NDCC 15-69-05.1 (use of funds) and NDCC 54-65-03.1 (use of funds);
  - a. The allowable and unallowable uses of funds identified in NDCC 15-69-01 have changed over time. Centers are accountable to the requirements specified in NDCC 15-69-05.1 during the biennium in which they were approved;
  - b. Enhancement Grants are subject to the requirements specified in [Chapter 46 § 23 of the 2009 Session Laws](#);
  - c. Base Realignment Grants and LD-CAP grants are subject to the requirements specified in [NDCC 54-65-01](#).
8. Review a sample of expenditures to verify expenses were approved, supported with documentation, and spent according to the scope identified in the application for funding;
9. Verify a sample of labor charged to the grant and trace it to supporting effort-reporting documentation;
10. Review the center or grant recipient's actual expenditures of award funds and compare them to the center's or grant recipient's application budget, including documentation explaining any material differences;
11. Review a sample of the center or grant recipients' expenditures reported on the Economic Impact Study Data Form (included in the Functional Review) to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.
12. Verify the center or grant recipient complied with the timeline as provided under the center's or grant recipient's application and any authorized revisions;
13. Verify the center or grant recipient complied with the scope of activities as provided under the center's or grant recipient's application and any authorized revisions.

**Schedule:** The agreed-upon procedures engagement is to be completed with the final report issued **no later than close of business on September 11, 2015**. Final reports should be provided to the following entities:

- State Board of Higher Education (via the system office)
- ND Economic Development Foundation (via the ND Department of Commerce)
- Budget section of the legislative management (directly)

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